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Subject: IRS Criminal Investigation Daily News - August 3, 2017
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Criminal Investigation Daily News

National & Local Media Coverage

View on CI Connections

UNCODED

INDEX

1. IRS to set up new international investigation unit
Politico - August 2, 2017
View Text Below

2. CI ANNOUNCES NATIONAL AND INTERNATIONAL ENFORCEMENT INITIATIVES
Tax Notes Today/Worldwide Tax Daily - August 3, 2017
View Text Below

3. IRS CI Division Chief Unveils International Tax Enforcement Group
CCH Federal Tax Day - August 3, 2017
View Text Below

4. Tax Enforcement: IRS to Consolidate National, International Criminal Case Work
BNA Daily Tax Report - August 3, 2017
View Text Below

5. IRS Criminal Investigation chief plans new enforcement programs
Accounting Today - August 2, 2017
View Text Below

6. She did tax returns out of her home. Now she's going to jail.
Sun Herald - Gulfport, Mississippi - August 2, 2017
View Text Below

7. Allison faces 30-month sentence for fraud
Cedar County Republican - Stockton, Missouri - August 2, 2017
View Text Below

8. Connie Apostelos sent to prison for Ponzi scheme role
WHIO.com - Dayton, Ohio - August 2, 2017
View Text Below

9. Sheboygan woman who scammed IRS out of millions gets 2 years in prison
Milwaukee Journal Sentinel - Milwaukee, Wisconsin - August 2, 2017
View Text Below

10. Tax preparer must repay IRS $61,000
Sioux City Journal - Sioux City, Iowa - August 2, 2017
View Text Below

11. New York Man Pleads Guilty to Multi-State Biodiesel Fraud Scheme
PressReleasePoint.com - August 2, 2017
View Text Below

12. Walter Diggles continues his second day on the stand
NewsWest9.com - Midland, Texas - August 2, 2017
View Text Below

13. Man accused in ID theft scam on trial in Medford
KOIN 6 News - Portland, Oregon - August 2, 2017
View Text Below

14. Prosecutors Say Boston Hedge Fund's Manager Defrauded Investors
Reuters - August 2, 2017
View Text Below

15. Former employee of Spectrum Brands charged in fraud scheme
Channel3000.com - Madison, Wisconsin - August 2, 2017
View Text Below

16. Georgetown man accused of burning down church indicted for health care fraud
WBTW.com - Conway, South Carolina - August 2, 2017
View Text Below

17. Lakeview restaurant owner charged with theft, tax evasion
WGNTV.com - Chicago, Illinois - August 2, 2017
View Text Below

18. Feds: Health fraud defendant sought TSA security waiver
The Detroit News - Detroit, Michigan - August 2, 2017
View Text Below

19. Disgraced Staten Island Congressman Michael Grimm wants his job back after going to prison for tax fraud
New York Daily News - August 2, 2017
View Text Below

20. Doctor convicted of tax evasion files for bankruptcy
Portland Press Herald - Portland, Maine - August 2, 2017
View Text Below

FULL TEXT ARTICLES

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1. IRS to set up new international investigation unit
By Bernie Becker

Politico
August 2, 2017
The IRS's criminal investigations division is establishing a new unit to focus solely on international tax matters, its new chief said today.

Don Fort, who took over the criminal investigations division in late June, said the new unit would seek to build on previous agency successes in investigating offshore tax dodging, including the Swiss bank program in which the IRS partnered with DOJ.

Fort said the new unit should be up and running by October, and that it would consolidate the agency's best offshore investigators into one group.

The unit will be based in Washington, D.C., though some of its projected 10 to 12 agents will likely be stationed elsewhere.

"These are agents that are experts in this field," Fort told reporters on a conference call, adding that the new unit would get "heavy support" from DOJ's tax division.

The U.S. government has poured more resources into battling offshore tax fraud and avoidance in recent years, including with the Foreign Account Tax Compliance Act — a measure that some key Republicans are seeking to repeal, calling it overly burdensome.

But Fort said that the new unit would be relying on information the government gets from foreign banks through FATCA, as well as sources like the Swiss bank program and the Panama Papers that outlined avenues for offshore tax avoidance.

Back to Top

----

2. CI ANNOUNCES NATIONAL AND INTERNATIONAL ENFORCEMENT INITIATIVES
By Nathan J. Richman

Tax Notes Today/Worldwide Tax Daily
August 3, 2017

New IRS Criminal Investigation division Chief Donald Fort announced two significant investigation initiatives in an August 2 press call: a nationally coordinated investigations unit and a dedicated international tax enforcement group.

Fort said the nationally coordinated investigations unit is "cutting edge for CI and part of the future of IRS criminal investigation." He said it will provide a way to more effectively coordinate investigations that have nationwide impact. The unit will report to CI's frontline executives. It is currently semi-operational and should be fully implemented within several months, he said. Because the effort requires creating a whole new structure, it is taking some time, he said.

The unit will use data analytics "to help identify and develop areas of noncompliance," Fort said. Using those analytics, including as part of case selection, is one way CI is dealing with current resource constraints, he said. Analytics should also help CI find emerging areas of noncompliance in part through cooperation with the research and civil components of the IRS, he said.

Fort said that the first three projects the national unit will focus on will be international tax enforcement, employment tax enforcement, and microcap stock fraud in coordination with the SEC. "These will be must-work referrals that come out of this group to the field offices," he said.

International Enforcement Group

The dedicated international tax enforcement group will consist of elite special agents, primarily operating out of the Washington field office, although some will be "strategically located in other parts of the country," Fort said.

To put the group together, CI will be consolidating some of its foremost subject matter expert special agents into one field office group, Fort said. "This is something we have never done before," he said. Consolidating cases into one group will allow for them to be worked more efficiently, he said, adding that the group will also be using data analytics heavily.
Fort said that CI has a wide range of data to examine, including Bank Secrecy Act data, information from whistleblowers, the Panama Papers, and reporting under the Foreign Account Tax Compliance Act. The group will analyze the data "to see where the data leads us in terms of other countries, other jurisdictions, and other individuals to best focus our efforts from a criminal investigation standpoint," he said.
The group will include at least 10 special agents, between the Washington field office and other parts of the country, Fort said. "We've got the framework set up and we need to identify the personnel," he said, adding that the group should be operational by October 1.

Further ID Theft Reductions
Fort said that the recently reported reduction in identity theft complaints (2017-63500) should lead to reductions in CI's identity theft workload, freeing up more resources for traditional tax cases. While the portion of special agent time devoted to identity theft cases has recently fallen (2017 TNT 103-2) from a high of over 18 percent to approximately 14 percent, "that's still a very, very large component of our inventory" of cases, he said, adding, "Strategically, we need to get that time commitment down." The time spent on identity theft will continue to fall, and the time savings will be redirected to traditional tax work, he said.
CI's continued involvement in tax identity theft cases remains necessary (2017 TNT 147-3) because other agencies authorized to investigate the cases are not tremendously interested in doing so, and because CI can feed information back to the rest of the IRS to help prevent future identity theft cases, Fort said. He said that tax-related identity theft cases affect the integrity of the tax system.
Fort said that phishing, ransomware, and other data breach attacks on practitioners such as CPAs, payroll providers, and tax return preparers are part of the evolution of identity theft (2017 TNT 42-12) from a street-level crime into an international cybercrime. Much of CI's current identity theft investigative effort is directed at those cybercrimes, he said, adding that CI also participates in the IRS's general efforts to educate practitioners about data protection.

Back to Top

----

3. IRS CI Division Chief Unveils International Tax Enforcement Group
By Jessica Jeane

CCH Federal Tax Day

August 3, 2017

The IRS Criminal Investigation Division (IRS-CI) is putting together a new international tax enforcement group, according to IRS-CI Chief Don Fort. This information was revealed publicly to reporters for the first time during an August 2 conference call. The new initiative is expected to be fully operational by October 1, Fort said.

Fort was sworn in as IRS-CI chief on June 26, 2017. Prior to his role as chief, he served as IRS-CI deputy chief. According to Fort, he has spent the past 26 years of his career at the IRS as a criminal investigation agent.

"Today, I'm announcing the formation of a dedicated international tax enforcement group," Fort told reporters. The international tax enforcement group will form by consolidating the foremost experts in international tax cases. Fort noted that while most IRS-CI groups have 8-10 special agents, the international tax enforcement group is expected to have at least 10-12 special agents to start. The agents will work in the IRS's D.C. field office as well as other locations throughout the country.

Additionally, IRS-CI is forming a nationally coordinated investigation unit, which is "cutting edge for CI and part of the future of IRS Criminal Investigation," Fort said. The unit will focus on how to better manage and coordinate nationwide investigations. International tax enforcement will be the first priority within the unit.

While semi-operational now, the unit will have a very heavy data analytics component, Fort said. The data analytics component is expected to be complete in the coming months. "This particular unit is going to report directly to our frontline executives here in Washington, D.C. The goal of the unit is to really use all of the data that we have available to us to help identify and develop areas of noncompliance."

According to Fort, the use of data throughout both of these IRS-CI initiatives helps the Service deal with a reduction in resources. "One of the ways we combat the reduction in resources is better use of data to help identify areas of noncompliance and really to help with case selection and future cases that we're rolling out nationwide," he said.

Fort stated that one of his goals as the new IRS-CI Chief is to make certain the Division is doing everything it can "strategically from a case selection standpoint" because special agent resources are scarce. "These efforts are a strong emphasis in using all available data and refining our case selection processes into the future."

Back to Top

----

4. Tax Enforcement: IRS to Consolidate National, International Criminal Case Work

By Kat Lucero

BNA Daily Tax Report

August 3, 2017

The IRS Criminal Investigation division will rely more on data analysis to prioritize cases, with the creation of two groups that will consolidate the international and domestic workload, the unit's new chief said.

The “nationally coordinated investigations unit,” or NCIU, would improve the management and coordination of cases across the country, while the “dedicated international tax enforcement group” would “leverage years of expertise in international tax,” CI Chief Don Fort said in an Aug. 2 press call.

“We have many, many program areas we are responsible for. My goal is making sure that we get maximum geographic coverage for all those programs,” Fort said of the 3,500-employee unit that investigates cases involving tax, money laundering, and Bank Secrecy Act laws.

As the Internal Revenue Service anticipates more funding cuts, the new groups will help maximize the use of existing staff and resources, according to Fort.

Fort, who was sworn into office on June 26, was deputy chief under CI Chief Richard Weber, who resigned in May. Fort has worked at the agency for 26 years.

The international group will comprise around 10-12 special agents who will focus on significant projects, such as the UBS tax evasion controversy, starting in October. They will be analyzing a variety of data from existing initiatives such as the Bank Secrecy Act, IRS Whistleblower Office, Offshore Voluntary Disclosure Program, Foreign Account Tax Compliance Act, and the Panama Papers inquiry.

“You pair data analysis with experts who have worked on these cases before—I really think we have more information available at our fingertips than anyone else,” Fort said.

National Group Semi-Operational

The national group, which is partly operational now, would broaden CI's perspective on cases that have a nationwide impact. Its first project will focus on international tax enforcement, employment tax, and the Securities and Exchange Commission's microcap fraud inquiries, according to the chief.

“This allows us to see things at a national level and supplement the great case development efforts that are going on in the field with other very significant projects that have a nationwide impact,” Fort said.

The chief said that CI will continue priorities outlined by Weber, including targeting abusive tax return preparers and schemes.

Back to Top

----

5. IRS Criminal Investigation chief plans new enforcement programs
By Michael Cohn

Accounting Today
August 2, 2017

The International Revenue Service's Criminal Investigation unit is readying two new programs focusing on data investigations and international tax evasion.

The data initiative will tie together the information uncovered by IRS's field offices around the country with headquarters in Washington, D.C. "We are standing up a nationally coordinated data investigations unit," said IRS Criminal Investigation chief Don Fort during a conference call with reporters Wednesday. "This is really cutting edge for CI, and part of the future of IRS Criminal Investigation. Many of the cases that we work on have nationwide impact. The cases exist in every judicial district and probably every zip code, and impact every single field office. It's a way to better manage and coordinate these investigations. This particular unit is going to report directly to our front-line executives here in Washington, D.C. The goal of the unit is to really use all of the data that we have available to us to help identify and develop areas of noncompliance."

With the new initiative, the IRS hopes to make better use of the areas of noncompliance identified by its field offices. "One of our primary priorities and obligations that we have is to make sure that we investigate all program areas within our jurisdiction and get as broad a geographic coverage as possible," said Fort. "We've got great case development initiatives in our field offices, but this allows us to see things at a national level and supplement the great case development efforts that are going on in the field, with other very significant projects that have a nationwide impact. This will help us nationally coordinate investigations on data."

The new data program will also help the IRS deal with the perennial cutbacks in its budget and workforce. "One of the ways we combat the reduction in resources is better use of data to help identify areas of noncompliance and really to help with case selection and future cases that we're rolling out nationwide," said Fort. "This unit is going to stand up in several months. It's already semi-operational now. We've been doing some training and putting the manpower in place."

The first projects that this unit is going to focus on are international tax enforcement, employment tax, and SEC microcap fraud, according to Fort. “These will be must-work referrals that will come out of this group to the field offices,” he said. “We also envision when this group stands up and is operational, it will have a very heavy data analytics component that will allow us not only to support and send great cases out from this unit, but to also look around the corner to see what the next areas of noncompliance are. There will be a lot of interaction with this group with research components of main IRS and other civil components of IRS to help determine future areas of noncompliance and get priority investigations out to the field offices.”

The new international tax enforcement program will leverage the expertise of IRS Criminal Investigation in previous cases involving UBS and other Swiss banks, as well as other cases involving offshore tax evasion.

“Today, I’m announcing the formation of a dedicated international tax enforcement group,” said Fort. “In a matter of months, if not sooner, we’re going to be standing up a group of elite special agents in our Washington, D.C., field office that are going to be dedicated to working and developing significant international tax cases. What we’re essentially doing is consolidating some of our foremost experts in these international tax cases who are really the nationwide experts in this field and put them under the umbrella of one focused operational group.”

The group will be based in the IRS’s field office in Washington, not at headquarters. “These are agents who, when this group is operational, have actually worked these investigations. These are agents who are subject matter experts in this field. This is something we’ve never done before. We’ve had great international cases in most of our field offices around the country. This focuses and leverages those years of expertise and the knowledge, skills and successes in the international tax arena with those agents who have worked those cases.”

In addition to the Washington, D.C., field office, members of the elite team will also be strategically located in other parts of the country. The IRS will also get support from the Department of Justice’s Tax Division.

“We’ll have a lot of involvement with the Department of Justice, as well as we’ll be leveraging the great relationships we have internationally with our international partners, as well as our constant involvement with our civil counterparts,” said Fort. “By consolidating these efforts in the Washington field office, it’s really going to allow us to better control the cases and work more efficiently as an organization in the international tax area.”

As in the data investigation program, the international enforcement program will also make

heavy use of data. “You look at this particular effort with the international tax enforcement group, it’s very heavy on the use of data and data analytics,” said Fort. “You couple the manipulation and use of data, with the experts that have worked these cases before.”

IRS Criminal Investigation plans to leverage not only tax data, but also information gleaned from the Bank Secrecy Act, whistleblowers, the Offshore Voluntary Disclosure Program, Panama Papers, and the Foreign Account Tax Compliance Act, or FATCA.

“You take an elite group of agents with this data, the resources that we have internationally, the relationships we’ve built with the Department of Justice,” said Fort. “I’m excited about this effort. We will be analyzing the data to see where it leads us in terms of other countries, other jurisdictions and other individuals to best focus our efforts from a criminal investigation standpoint.”

There will be between 10 and 12 special agents in the international group, he added. They will be able to leverage data from FATCA as well as other sources. “All available data we have in-house, which includes FATCA, as well as any information that we’ve gleaned and is available from the Swiss bank project and other completed investigations,” said Fort. “We have human sources of intelligence domestically as well as people that provide information internationally, so it’s all sources of information, looking at all of that data to help with case selection and better inform future international cases.”

Meanwhile, IRS Criminal Investigation is continuing to pursue cases involving identity theft, including cybercriminals who are targeting tax professionals with phishing schemes, ransomware and the like. “The account takeovers, data breaches of return preparers, CPAs and payroll providers are kind of the evolution of where we see identity theft, and where we’re spending a lot of our efforts,” said Fort. “Three or four years ago we were seeing basically street-level crime, but it now has morphed into complicated international cybercrime. A lot of our current investigative efforts in identity theft are involved in phishing, account takeovers, business email compromise, things of that nature. We also participate where we can with our civil counterparts in trying to get the message out to tax return preparers and professionals about the importance of protecting their data.”

Back to Top

----

6. She did tax returns out of her home. Now she’s going to jail.

Sun Herald
Gulfport, Mississippi

August 2, 2017

A Gulfport woman was sentenced to 48 months in prison for filing tax false returns, said Acting Deputy Assistant Attorney General Stuart M. Goldberg of the Justice Department's Tax Division and Acting U.S. Attorney Harold Brittain for the Southern District of Mississippi in a press release.

Doris Kelley, 65, operated a tax return preparation business from her home. According to court documents, Kelley instructed several of her clients, who owed income taxes to the IRS, to write payment checks directly to her. Kelley kept these funds for herself and used most of the money to gamble at local casinos, Goldberg said.

Typically, Kelley provided copies of accurate returns to her clients, but then did not file any return with the IRS. In some cases, she also filed false returns in her clients' names without their knowledge. Kelley earned hundreds of thousands of dollars from her scheme and caused a tax loss of more than $500,000.

In addition to the term of imprisonment imposed, U.S. District Court Judge Sul Ozerden ordered Kelley to serve one year of supervised release and to pay $529,635.72 in restitution, to include $375,534.49 to the IRS and $162,101.23 to the individual victims. Kelley pleaded guilty in April to impeding the internal revenue laws and aiding in the preparation of a false tax return.

Goldbert and Brittain commended special agents of IRS Criminal Investigation, who conducted the investigation, and Assistant U.S. Attorney Stan Harris and Trial Attorney Nathan Brooks of the Tax Division, who prosecuted this case.

Back to Top

----

7. Allison faces 30-month sentence for fraud

Cedar County Republican
Stockton, Missouri
August 2, 2017

Regina Allison, 47, El Dorado Springs, was sentenced by U.S. District Judge Beth Phillips to 30 months in federal prison without parole, and ordered Allison to pay $460,404 in restitution, including $380,134 to Allison Tire Company Inc., and the remainder to the IRS and the Missouri Department of Revenue.

The judicial order and sentencing happened Thursday, July 26, according to Tom Larson, acting United States Attorney for the Western District of Missouri. The order closed the legal process in the case where Allison pled guilty to a mail fraud scheme during which she stole more than $380,000 from her employer and admitted to filing a false tax return.

Allison pleaded guilty to one count of mail fraud and one count of filing a false tax return Jan. 20, according to Larson's office in Springfield.

Allison was hired by Allison Tire Company and Allison Oil and Auto Supply in 2003. As a part of her duties at the company, which is owned in part by her ex-husband, she prepared company checks for payment of invoices. Allison was fired from her position in November 2015 after her supervisors discovered she had forged numerous checks from the accounts of Allison Tire and Allison Oil to pay fictitious businesses she had created for her personal benefit.

Allison opened two bank accounts, in Bolivar and Nevada, under the names of two separate businesses. Neither of the business entities actually created any products or provided any services. Allison admitted she used her position at Allison Tire and Allison Oil to write numerous company checks to these fictitious businesses, and forged the signatures of authorized signors.

Over the span of nearly four years, from November 2011 to November 2015, Allison embezzled a total of at least $380,134.

Allison also admitted she failed to report this embezzled income on her federal income tax returns. The total tax loss to the United States was $58,813, without penalty or interest. The total tax loss to the state of Missouri was $16,315, without penalty or interest.

This case was prosecuted by Assistant U.S. Attorneys Casey Clark and Amy Blackburn. It was investigated by IRS-Criminal Investigation and Missouri State Highway Patrol agencies.

Back to Top

----

8. Connie Apostelos sent to prison for Ponzi scheme role

WHIO.com
Dayton, Ohio
August 2, 2017

Connie Apostelos, also known as Connie Coleman, 51, formerly of Springboro, was sentenced in Dayton's federal court Wednesday to 30 months in prison for her role in a $70 million Ponzi scheme.

The scheme over six years defrauded nearly 500 victims.

Apostelos and her husband, William Apostelos, were indicted in October 2015.

According to court documents, beginning in 2009, and continuing for at least five years, the couple and others orchestrated a Ponzi scheme in the Dayton area in which nearly 480 investors lost more than $20 million collectively. They received $70 million in investment funds in total.

Connie Apostelos pleaded guilty in April to one count of money laundering. She operated and oversaw multiple companies in the Dayton area, including Coleman Capital, Inc. and Silver Bridle Racing, LLC.

The couple recruited investors from 37 states to invest in companies, telling the investors that their money would be used for acquiring stocks or securities, purchasing real estate or land, providing loans to business and buying gold and silver, according to a media release.

But instead of investing the money, the couple spent it on horse racing and lingerie, among other items.

"Connie Apostelos used the money of hard working investors to pay for her extravagant personal expenses and is being held accountable for her actions," said Ryan L. Korner, Special Agent in Charge, IRS Criminal Investigation, Cincinnati Field Office. "Now, approximately 500 investors are in financial peril that could last a lifetime."

William Apostelos pleaded guilty to conspiracy to commit mail and wire fraud and theft or embezzlement from an employee benefit plan and was sentenced in June to 180 months in prison.

Steven Scudder, 62, of Centerville, an attorney who served as trustee of the WMA Trust, pleaded guilty in U.S. District Court in January to wire fraud, admitting that he used his position as an attorney to facilitate the fraudulent investment scheme. He was sentenced in June to 14 months in prison.

Back to Top

----

9. Sheboygan woman who scammed IRS out of millions gets 2 years in prison
By Bruce Vielmetti

Milwaukee Journal Sentinel
Milwaukee, Wisconsin
August 2, 2017

A Sheboygan tax preparer who helped thousands of undocumented immigrants claim millions in illegal tax refunds has been sentenced to two years in federal prison, plus another year of supervision.

Lesley E. Anzures, 35, who operated Lesley's Tax Service on 8th St. in downtown Sheboygan, was charged in February. She later pleaded guilty to a single count of structuring a financial transaction.

But prosecutors portrayed Anzures' business as a veritable high-speed assembly line of fraud, churning out tax returns at a rate of more than one every hour of every working day over a four-year period.

As part of the plea deal, prosecutors recommended the maximum prison term of three years, and Anzures will be ordered to pay restitution of $496,533. U.S. District Judge Pamela Pepper on Tuesday imposed a two-year prison term, noting Anzures' lack of criminal history and her community involvement.

The IRS began an undercover investigation of Anzures after one of her customers complained to Sheboygan police that identifying information of the customer's child had been used in someone else's tax return.

Agents reviewed 40 tax returns Anzures had prepared for 12 clients over four years and found false claims in all of them, mostly for Additional Child Tax Credit, for children who did not exist or were not in the United States. An audit of another 22 clients' returns found more fraud, for a total tax loss of nearly $500,000 over the tax years 2010 through 2013.

"Even an undocumented immigrant customer fluent in English would find the tax system hard to comprehend. As such, these clients relied on her to accurately and fully tell them the relevant rules, to enable them to provide the necessary information to complete a tax return," federal prosecutors wrote in a sentencing memorandum.

They also weren't buying Anzures' claims to have just relied on what her clients told her, and that she was only trying to help them.

"Casting herself as selflessly helping deserving people is a portrayal lacking support from the investigation findings, which suggest instead that she acted to enrich herself," prosecutors wrote.

For the four years in question, Anzures filed 9,489 returns, 98% of which claimed refunds totaling $34.2 million. Seventy percent of the dependents claimed on the returns had Individual Tax Identification Numbers used by undocumented immigrants who don't have Social Security numbers.

Prosecutors estimated that Anzures, based on her average fee of $75, made about $150,000 a year those four years. By the time she was 35, Anzures had acquired a $350,000 home, two late model Cadillacs, two rental properties and an auto business, while reporting adjusted gross incomes, with her husband, of $18,000 to $70,000. She also cheated on her own income taxes, according to the memorandum.

Anzures' online business profile indicates she has run the tax business since 2007 and also owns a grocery business in Sheboygan.

Anzures was granted permission to leave Wisconsin in June for a vacation in Orlando, Fla., with her husband and children.

Back to Top

----

10. Tax preparer must repay IRS $61,000
By Nick Hytrek

Sioux City Journal
Sioux City, Iowa
August 2, 2017

A former Storm Lake, Iowa, tax preparer who pleaded guilty to filing fraudulent income tax returns has been ordered to repay more than $61,000 to the Internal Revenue Service.

Toui Lo, 56, was put on four years probation Tuesday. In addition to $61,137 in restitution to the IRS, she also must pay a $3,000 fine and $100 special assessment. She pleaded guilty in April in U.S. District Court in Sioux City to one count of aiding and assisting the preparation and filing of a false and fraudulent tax return.

According to the U.S. Attorney's Office, Lo, who operated a tax return preparation business, admitted to preparing and filing several false income tax returns from 2009 to 2013 in which she entered fraudulent information to increase her clients' income tax refunds.

Back to Top

----

11. New York Man Pleads Guilty to Multi-State Biodiesel Fraud Scheme

PressReleasePoint.com
August 2, 2017

Andre Bernard, of Mount Kisco, New York, pleaded guilty today for his participation in a multi-state scheme to defraud biodiesel buyers and U.S. taxpayers by fraudulently selling biodiesel credits and fraudulently claiming tax credits, announced Acting Assistant Attorney General Jeffrey H. Wood of the Justice Department's Environment and Natural Resources Division and Acting U.S. Attorney W. Stephen Muldrow of the Middle District of Florida.

According to his plea, Bernard conspired with Thomas Davanzo, of Estero, Florida, Robert Fedyna, of Naples, Florida, and Scott Johnson of Pasco, Washington in a scheme to defraud biodiesel credit (known as "RIN" credits) buyers and U.S. taxpayers. The conspiracy involved having Gen-X Energy Group (Gen-X), headquartered in Pasco, Washington, and its subsidiary, Southern Resources and Commodities (SRC), located in Dublin, Georgia, generate fraudulent RINs and tax credits multiple times on the same material.

Bernard and his co-conspirators operated several shell companies that claimed to purchase and sell the renewable fuel. The co-conspirators also cycled the funds through these shell companies' bank accounts to perpetuate the fraud scheme and conceal its proceeds.

From March 2013 to March 2014, the co-conspirators generated at least 60 million RINs that were based on fuel that was either never produced or was merely re-processed at the Gen-X or SRC facilities. The co-conspirators received at least $42 million from the sale of these fraudulent RINs to third parties. In addition, Gen-X received approximately $4,360,724.50 in false tax credits for this fuel.

This case was investigated by the U.S. Secret Service, the Environmental Protection Agency Criminal Investigation Division, and the Internal Revenue Service Criminal Investigation. It was prosecuted by Assistant U.S. Attorney Sara C. Sweeney of the Middle District of Florida and Trial Attorney Adam Cullman of the Environment and Natural Resources Division of the Department of Justice.

Back to Top

----

12. Walter Diggles continues his second day on the stand

NewsWest9.com
Midland, Texas
August 2, 2017

Walter Diggles continued his witness testimony Wednesday, with the examination beginning with his defense attorney, Ryan Gertz.

Gertz started by asking multiple questions, pertaining to the search of Diggles' office at the Deep East Texas Council of Governments, his office at the Lighthouse Church of God in Christ, and his home.

"How did it feel to have strangers in your home?" Gertz said.

The prosecution objected to this question, saying that the question was irrelevant to the case. Judge Ron Clark agreed with the prosecution, and asked Gertz to rephrase his question. Gertz, instead changed his line of questioning.

The new line of questioning focused on Walter Diggles' belief, and practices related to that belief, that any money awarded to a group for performing a service is then their business and can be used in whatever way they see fit.

Rosie Diggles' attorney questioned Walter Diggles next, concerning the amount of money she had spent on a women's ministry, called Heart to Heart, using a Chase card. It was mentioned that she also used this card for personal expenditures.

Then, Anita Diggles' attorney questioned Walter Diggles. He asked Walter Diggles if, as the director of the Deep East Texas Foundation, he knew if there were any other people who examined the reimbursement packets, before they were sent to DETCOG. Walter Diggles replied that there were many people who examined the packets.

Anita Diggles' attorney also asked Walter Diggles whether his daughter had been injured while working at the 21st Century Learning Center. He responded that she had, and the initial injury turned into a lasting condition. Walter Diggles said that she was given money, from the learning center, through the foundation, to pay for the medical expenses.

The U.S. government's attorney then cross-examined Walter Diggles. They brought up a memo from Walter Diggles to R.C. Horn, the previous president of the foundation. The memo pertained to funds from the Social Services Block Grant, given to the foundation, through DETCOG. Walter Diggles, in the memo, was advising Horn on how to use the funds.

The prosecution then questioned Walter Diggles as to whether or not he had hired a man named Harold Caully. Caully had testified the previous day, regarding his employment at DETCOG, and his volunteer work at the foundation. He said that Diggles had hired him, to which Walter Diggles replied in court Wednesday that he hadn't.

"I guess he assumed I hired him," Walter Diggles said. "People assume a lot of things about me."

The government also brought up a document from the Texas Health and Human Services that, the day before, Walter Diggles had testified to having relied on, while using the money from the SSBG. In that document, it states that fixed rates can only be enacted for a vendor, if that vendor has shown that they're actual cost is close to the cost they are requesting.

Last week, two witnesses were questioned as to their time as paid volunteers at the foundation's 21st Century Learning program. The U.S. government's attorney focused on the amount of money these two employees were paid, to which they responded $10 an hour.

But, the foundation would ask DETCOG for teaching salaries that added up to $44 an hour.

Back to Top

----

13. Man accused in ID theft scam on trial in Medford
The actual loss to the government was more than $6.9 million
By Brent Weisberg

KOIN 6 News
Portland, Oregon
August 2, 2017

One of the five suspects connected to a huge identity theft scheme involving the IDs of more than 125,000 people is on trial in Medford this week.

An indictment alleges that Emmanuel Oluwatosin Kazeem and four other people engaged in

“a complex identity theft scheme, involving the identities of over 125,000 people, for the purpose of obtaining fraudulent tax refunds from the IRS and the Oregon Department of Revenue.”

“Defendant and his co- conspirators used stolen Personal Identification Information (PII) to access individual IRS taxpayer transcripts, obtain IRS electronic filing PINs, file the individual taxpayer’s returns, and obtain the fraudulent refunds utilizing prepaid debit cards registered with the stolen PII,” according to court documents.

The actual loss to the government was more than $6.9 million.

On May 13, 2015, agents of IRS Criminal Investigations, the U.S. Department of Health and Human Services Office of Inspector General, and the Federal Bureau of Investigation (FBI) simultaneously executed the search warrants at locations in Maryland and Georgia as part of the investigation.

Law enforcement seized electronic evidence from Kazeem’s Maryland residence that contained over 2,000 unique social security numbers, according to court documents.

Court documents show that a recent investigation by the Fraud Detection National Security Section of United States Citizenship and Immigration Services revealed that Kazeem and an unnamed person entered into a fraudulent marriage “for the sole purpose of evading the immigration laws of the United States.”

As a result, USCIS, along with Homeland Security Investigations, will pursue de-naturalization, records state.

The woman who was part of the sham marriage admitted that Kazeem did not live at the address as claimed and that she had entered an arranged marriage with Kazeem “for the purpose of assisting him with obtaining citizenship,” according to federal court documents.

In April 2017, Kazeem had indicated he wanted to change his plea instead of heading to trial but then backed out of the plea agreement.

The trial is scheduled to last two weeks in Medford.

Back to Top

----

14. Prosecutors Say Boston Hedge Fund's Manager Defrauded Investors

By Nate Raymond

Reuters
August 2, 2017

Federal prosecutors on Wednesday accused the manager of a Boston-based hedge fund of defrauding investors out of millions of dollars, nearly two months after state regulators charged him with engaging in a Ponzi-like scheme.

According to a criminal complaint filed in Boston federal court, Raymond Montoya, who operated RMA Strategic Opportunity Fund LLC, misused millions of dollars to pay for luxury vehicles and his son's home mortgage and to repay earlier investors.

Massachusetts Secretary of State William Galvin accused Montoya in June of engaging in an "egregious fraud" and brought an administrative complaint against him.

Galvin's office said at the time it was also making federal authorities aware of the case. Four days after Galvin brought charges, Montoya met with law enforcement and admitted to defrauding RMA investors, the criminal complaint said.

His lawyer, Christopher Bruno, said the 69-year-old resident of Allston, Massachusetts was cooperating with authorities and surrendered to face the criminal charges on Wednesday morning. Bruno said Montoya was also in plea talks.

"His efforts are focused on preserving assets for ultimate return to investors," Bruno said in a statement.

During a court hearing, Assistant U.S. Attorney Neil Gallagher said Montoya had already agreed to freeze accounts he controlled holding $6 million to $8 million in assets and forfeit 10 vehicles including three Ferraris and two Porsches.

According to the complaint, Montoya had run RMA since 2009 and told investors it had about $4 billion in assets under management and used proprietary software that helped it predict stock price movements and was achieving positive results.

In fact, Montoya managed less than $100 million, invested only a portion of his victims' money and fabricated account statements for the fund, which was incurring losses by 2012, the complaint said.

During his June interview with authorities, Montoya said that losses by 2015 and 2016 had become substantial but he nonetheless told investors they were earning modest returns, the

complaint said.

It said Montoya also admitted that he used investor funds to make payments to earlier investors as well as to pay for personal expenses including travel, vehicles, tuition for his children and his son's mortgage.

Montoya was released on a $100,000 bond following a court hearing on Wednesday afternoon.

The case is U.S. v. Montoya, U.S. District Court, District of Massachusetts, No. 17-mj-2228.

Back to Top

----

15. Former employee of Spectrum Brands charged in fraud scheme

Channel3000.com
Madison, Wisconsin
August 2, 2017

Earlier today a Wisconsin federal grand jury charged 46-year-old Shonn Northam of Briggsville Wisconsin with 24-count indictment for mail and wire fraud, money laundering, and identity theft.

Northam allegedly cost Spectrum $280,644 from February 2013 to November 2014.

Northam is accused of using his position as a customer service representative at Spectrum to embezzle money by submitting false warranty claims.

In early 2013, Northam started US Proud, an organization that hosted beauty pageants for the LGBT community. According to authorities, he falsely claimed that Spectrum was sponsoring events hosted by US Proud. Northam submitted false warranty claims to Spectrum, and in some instances, used a variation of the name of a customer to create multiple payments.

He had customer warranty checks delivered directly to himself, and he forged endorsements on the checks and deposited them into bank accounts under his control, according to authorities.
He is accused of misusing the identities of friends, family members, and US Proud pageant participants to generate false warranty claim checks and lying to his supervisor at Spectrum when his actions were questioned.

If convicted, Northam faces a maximum penalty of 20 years in federal prison on each of the six mail fraud, five wire fraud, and five money laundering counts. He faces a mandatory minimum penalty of two years on each of the eight identity theft charges, which would be served consecutively to any other sentence imposed.

The charges against Northam are the result of an investigation by IRS Criminal Investigation and Middleton Police Department. The prosecution of this case is being handled by Assistant U.S. Attorney Daniel Graber.

Back to Top

----

16. Georgetown man accused of burning down church indicted for health care fraud
By Kendall McGee

WBTW.com
Conway, South Carolina
August 2, 2017

Investigators say a pastor from Georgetown charged for burning down his own church last summer is facing new charges for health care fraud as well.

A press release from US Attorney Beth Drake says 32-year-old Cameron Banks was charged in a seven count federal indictment with health care fraud connected to a scheme to submit fake loan applications for dental services.

He faces a 20 year prison sentence and a fine of $250,000 for each count if convicted.

Banks was arrested in May in reference to an arson investigation for a church he was a pastor for.

Sgt. Darren Alston with the Conway Police Department says after a lengthy investigation, Banks was arrested at his home and charged with arson second degree, making false claim to obtain benefits for fire loss, burning personal property to defraud insurer and obstructing justice.

Conway Fire and Police Departments were called to the Abundant Faith Lighthouse of Jesus Christ Church on 4th Avenue on July 24, 2016 about the fire.

Back to Top

----

17. Lakeview restaurant owner charged with theft, tax evasion
by Mitch Kedzior

WGNTV.com
Chicago, Illinois
August 2, 2017

The owner of a Lakeview Mexican restaurant is facing charges after police said she was underreporting more than $1 million in sales.

Sandra Sanchez, 43, owner of Cesar's Killer Margaritas, was charged with theft and tax evasion for defrauding the state out of more than $100,000, officials said.

Attorney General Lisa Madigan said that Sanchez used an automated sales suppression device to underreport more that $1 million in sales to the Illinois Department of Revenue.

Madigan claimed that between January 2012 and October 2015, Sanchez used the sales suppression software, known as "zappers" to falsify electronic sales records to avoid paying the full amount of sales and use taxes to the state each month.

Zappers automatically delete business records of cash transactions and reconcile sales data so the reported sales appear to match the income, the attorney general's office said.

The technology was banned in 2013.

Sanchez is scheduled to appear in court September 6.

Back to Top

----

18. Feds: Health fraud defendant sought TSA security waiver
By Oralandar Brand-Williams

The Detroit News
Detroit, Michigan
August 2, 2017

A lawyer for the federal government told a judge Wednesday that a local health care executive charged with defrauding Medicare out of $132 million through “sham” medical businesses recently applied for a travel program that essentially allows fliers to skip traditional pre-travel security checks.

“There is no dispute there that the defendant has the means to flee,” Jacob Foster, an attorney with the Department of Justice, told chief U.S. District Judge Denise Page Hood during the continuation of a bond hearing for Mashiyat Rashid.

Foster added that Rashid has enough money at his disposal “to allow the defendant to live comfortably abroad.”

Hood is expected to decide whether Rashid, 37, the alleged mastermind behind an alleged $132 million health care fraud scheme, should be released while awaiting trial later this month on a 10-count criminal indictment. The government is fighting his release.

Hood heard arguments Wednesday morning from Foster and defense attorney, Walter Piszczatowski, on whether to grant Rashid bond.

Hood scheduled another hearing for 10 a.m. Friday after Foster told her that Rashid had applied to the Trusted Traveler program for himself and three others. The program helps travelers speed through Transportation Security Administration lines.

The judge said she needed more time to review the case. Rashid’s attorney told Hood that his client applied for the program in June with plans of family trips to Los Angeles and Houston.

The trip to Los Angeles was to attend the “white coat” medical school ceremony of one of Rashid’s relatives, Piszczatowski said. Hood said even if she released Rashid on bond, she would not allow him to travel to California.

Piszczatowski argued that his client needs to be released so he can help with his legal defense.

“There are no facts of this defendant preparing to leave the country. No facts,” Piszczatowski said Wednesday. “He gave them the passport. They have his iPhone. There are no texts (that indicate he plans to leave). There is no transfer of any assets to any foreign bank.”

Prosecutors oppose releasing Rashid on bond, saying he has access to huge sums of cash and could flee the country.

Prosecutors say an informant has told them Rashid has access to a jet to get him out of the country. Foster argued Tuesday before Hood that Rashid has ties to his native Bangladesh,

where his wife's parents still live.

Piszczatowski said Tuesday his client does not have access to cash because the federal government confiscated it following Rashid's arrest July 12.

Piszczatowski also said Rashid's ties to the United States, where he emigrated at the age of 3, are very strong, pointing out that Rashid grew up in Detroit and graduated from the University of Michigan in 2003.

The government alleges that Rashid withdrew $500,000 from his bank account and stuffed the cash in a duffel bag. Federal agents who had him under investigation allegedly watched Rashid walk out of the bank with the money.

Piszczatowski said in his earlier arguments before Hood that Rashid was going to use the money for "extras" that were being added to a nearly $7 million home he is constructing in Franklin. He said the medical executive also wanted to have cash on hand for trips with his family and for unexpected expenses.

"You gotta have cash in case Trump decides to push the button," Piszczatowski said Tuesday in court. The defense attorney added that the $500,000 "is fully legal" and that Rashid pays taxes on it.

"He's an open book," said Piszczatowski. "They did an investigation and he has it all on paper."

But Foster said Tuesday that Rashid's criminal case is "uniquely troubling," adding that people who aren't considering fleeing don't stuff a duffel bag with $500,000.

Foster said most of the $132 million Rashid allegedly cheated the government out of through Medicare cannot be found.

"It's so extensive that it can't be accounted for," said Foster. "Why did he do it? He spent it on himself."

Federal authorities call the alleged scheme one of the biggest in Metro Detroit history, involving medical companies such as Tri-County Physicians and National Laboratories, which were raided by the FBI last month in the Fisher Building.

Federal prosecutors allege that Rashid led a medical conspiracy that involved submitting bogus bills to Medicare and giving unnecessary back injections to addicts and prescribing them pain medication that ultimately were sold on the streets of Metro Detroit.

Rashid faces up to life in federal prison if he is convicted of the charges, which include health fraud conspiracy, money laundering and receiving kickbacks.

Back to Top

----

19. Disgraced Staten Island Congressman Michael Grimm wants his job back after going to prison for tax fraud
By Jillian Jorgensen

New York Daily News
August 2, 2017

Disgraced Staten Island pol Michael Grimm wants his old seat back, GOP sources tell the Daily News.

Grimm — who spent seven months in prison for tax fraud — is making calls about running for Congress through former lawmaker Guy Molinari, sources said. The pair is looking to round up core supporters.

If he goes through with the plan, a run would pit Grimm, 47, against incumbent Congressman Dan Donovan, a fellow Republican.

“Dan will have labor and donor support I imagine,” the source told The News. “But a lot of voters still like the guy.”

It could still prove tough because Donovan is a voter darling.

“Grimm should recall that Donovan used to win with 75% of the vote for DA,” the source said.

Molinari, the former borough president and congressman, is Grimm’s political godfather on Staten Island — and has feuded with many of the top GOP officials in the borough in recent years.

Grimm was previously rumored to be eyeing a borough president run — which would also require pronating another Republican.

Grimm represented Staten Island and a part of Brooklyn as a Republican from 2011 to 2015. In 2014, the feds indicted the pol, once an FBI agent, on multiple charges.

He won reelection — despite being under indictment — before he gave up his seat after pleading guilty.

Grimm copped to helping prepare a false tax return.

When he pleaded guilty, he admitted to concealing more than $900,000 in receipts from Healthalicious, a Manhattan restaurant he owned.

He was sentenced to eight months of prison in July 2015 and released on April 27, 2016.

Back to Top

----

20. Doctor convicted of tax evasion files for bankruptcy
Joel A. Sabean, who is due to report for prison in two weeks, owes nearly $2.3 million, mostly for taxes and to his attorneys.
By Edward D. Murphy

Portland Press Herald
Portland, Maine
August 2, 2017

A former South Portland dermatologist convicted of tax evasion in a case marked by allegations of long-term sexual abuse of a family member and payments for her silence has filed for bankruptcy.

Joel A. Sabean and his wife, Karen Sabean, filed for bankruptcy Tuesday, listing assets of $1.3 million and liabilities of nearly $2.3 million, including large sums owed to the Internal Revenue Services and to his lawyers.

Sabean was convicted in November of avoiding nearly $900,000 in taxes by transferring more than $2.3 million to a family member in Florida over a period of five years and then writing off the payments as medical expenses. He was also convicted of writing dozens of prescriptions for the female family member, who was not his patient, in violation of federal drug laws; and health care fraud, because he wrote some of the prescriptions in his wife's name so their insurance would cover part of the cost.

Sabean has appealed the conviction, but an attempt to put off his two-year sentence while the appeal is pending was rejected by a federal judge in Portland.

He is due to report for prison Aug. 16. His lawyers said his plan was to be treated for prostate cancer, which was diagnosed after his conviction, before reporting for prison.

Prosecutors alleged that the money represented payments to the family member to keep her quiet about sexual abuse that stretched over nearly three decades. They said the woman and Sabean agreed to claim the payments were for medical expenses – including organ transplants and other expensive procedures – so they could be deducted from Sabean's taxes and to answer accountants in Sabean's dermatology practice who were questioning the payments.

In his bankruptcy filing, Sabean said he now makes about $5,500 a month from Social Security, dividends and interest and rental property and has monthly expenses of $5,700. Last year, the filing said, he made nearly $1.4 million from his practice and the year before, he made $1.6 million.

State regulators ordered him to surrender his medical license and close his practice early this year after the convictions.

His primary assets are real estate – he owns a condo in Portland, a house in Falmouth valued at $650,000 and an office building in South Portland worth $250,000, the filing says. But Sabean owes the IRS nearly $830,000 and his lawyers $376,000. He owes $54,000 in state income taxes and liens have been put on some of his properties for nonpayment of property taxes, according to the bankruptcy filing, which also lists dozens of other liabilities, including some related to his medical practice.

The Sabeans filed under chapter 7 of the bankruptcy code, meaning most of their assets would be sold to pay creditors rather than having the couple come up with a repayment plan. His tax liability probably can't be waived because he was ordered to recalculate and pay his back taxes, including any penalties, as part of his sentence.

Back to Top

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